

Department of the Treasury
Office of Thrift Supervision

Transmittal



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The attached proposal by the Office of Thrift Supervision (OTS) would cut out 60 percent of the lending and investment regulations affecting savings associations. The proposal is part of OTS' continuing effort to reduce regulatory burden on the institutions it supervises, consistent with safety and soundness.

Unnecessary detail would be removed from the rules on loan documentation in favor of general requirements for safe and sound operation. The proposal also would minimize inequities between federally and state-chartered associations and eliminate redundant or obsolete provisions.

The proposal would consolidate most lending regulations into one section to make them more user friendly. The proposed changes would also bring OTS lending and investment regulations more in line with those of the federal banking agencies.

Other changes would:

- Remove the requirement that commercial loans made by a savings association service corporation must be included in the investment limitations placed on the parent thrift. The change would permit thrifts to do more commercial lending through service corporations. However, federal thrift investments in service corporations would continue to be limited to a maximum of 3 percent of assets.
- Confirm and clarify that OTS lending regulations, and the federal law on which they are based, pre-empt state laws.
- Ease restrictions on letters of credit, but make them apply to state-chartered thrifts in addition to federal institutions.
- Eliminate limits on the amount of a loan relative to the value of the collateral and the length of payback periods on loans for manufactured housing, including mobile homes and prefabricated structures. The change emphasizes OTS policy requiring thrifts to establish their own prudent underwriting standards under OTS supervision.

- Remove the requirement that Federal thrifts link their adjustable-rate mortgage loans to an index outside their control.
- Narrow the scope of OTS' regulation establishing disclosure requirements for adjustable rate mortgages to apply primarily to those loans for which disclosure is required under Regulation Z.
- Relax restrictions on federal thrifts' ability to invest in state housing authorities and government obligations. Instead of being permitted to invest only in housing authorities in the institution's home state, thrifts would be able to invest in housing authorities in any state in which they have an office. Federal thrifts would be able to invest in non-rated government obligations in excess of the current 1 percent of assets limit if OTS approves the obligation for investment.
- Relax limits on leasing and merge finance leasing and general leasing rules into one regulation.
- Move requirements to classify troubled assets from regulations to guidelines.

The notice of proposed rulemaking was published in the January 17, 1996, edition of the *Federal Register*, Vol. 61, No. 11, pp. 1162-1182. Written comments must be received on or before April 16, 1996, and should be addressed to: Manager, Dissemination Branch, Records Management and Information Policy Division, Office of Thrift Supervision, 1700 G Street, NW, Washington, DC 20552.

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A handwritten signature in cursive script, reading "Jonathan L. Flechter".

Jonathan L. Flechter
Acting Director
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Attachment